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12 September 1954

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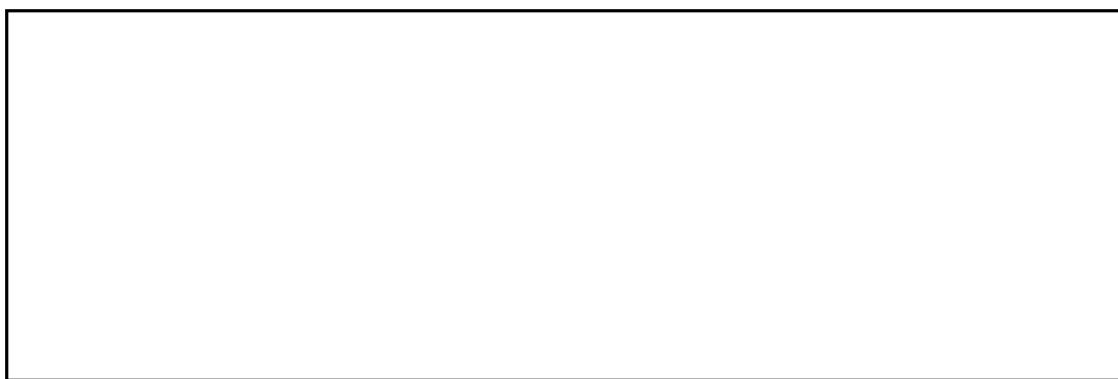
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State Department review
completed

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



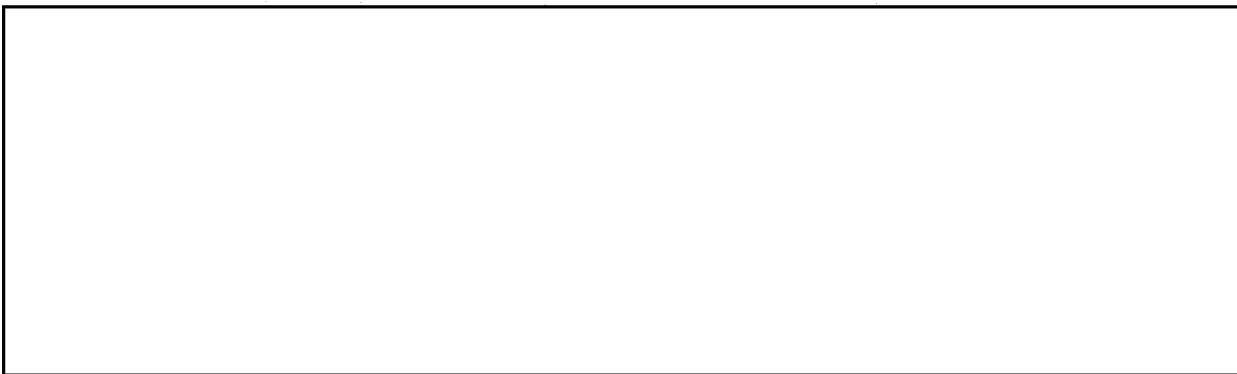
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WESTERN EUROPE

3. COCOM reaches tentative agreement on merchant ship controls plan:

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COCOM discussions on 8-9 September produced a tentative formula for breaking the long impasse over Western controls on exports of ships to the Soviet Orbit. Under the proposed plan, merchant ships with a speed of over 15.5 knots would be embargoed, and total exports of non-embargoed vessels would be restricted to 600,000 tons for the three-year period 1954 through 1956.

A special exception for Denmark would permit that country, if necessary for vital economic reasons, to export 15,000 tons per year of faster ships, provided COCOM were consulted in advance.

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on proposed sales of ships faster than 17.5 knots. The total COCOM quota, moreover, is "understood" not to prevent any country from filling contract commitments made before 8 September.

Comment: Controls over merchant ship exports was the most important issue not resolved at the COCOM review earlier this year which drastically reduced international controls on East-West trade. The United States had originally urged during this review that ship exports be restricted to 88,000 tons per year and argued that ships faster than 15 knots were of high strategic significance in the event of hostilities.

4. Ambassador Bohlen comments on Soviet statement of 9 September:

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Ambassador Bohlen notes that while the Soviet Foreign Ministry statement of 9 September on European security and German rearmament contains no new substantive lines or indication of a change in the Soviet position on Germany, its wording makes it clear that the USSR intends to continue to rely on the French as the principal means of blocking West German rearmament.

Bohlen believes that Moscow intended this as a clear restatement of Soviet opposition to any form of West German rearmament and as ammunition for French and other European opponents of German rearmament. The importance which Moscow attaches to this statement is underscored by the fact that both Pravda and Izvestia devoted lead editorials to the subject.

Comment: Apparently the USSR does not yet consider a major concession necessary to head off German rearmament since the Foreign Ministry simply reiterates support for a four-power conference on Germany, a system of European security, and a settlement of the armaments problem.

Moscow's recent diplomatic moves and propaganda statements form part of a wider pattern of current Soviet policy which is relying on public pressure in Western Europe to force

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changes in official policies. Pravda's 9 September attack on Attlee, with the forthcoming Labor Party conference in mind, was an attempt to discredit his support for German rearmament and to strengthen the Bevanites' opposition. The Soviet press on 11 September stated that the vote of the recent Trade Union Congress favoring German rearmament passed by such a narrow margin that "it is safe to say that such a resolution may well be defeated" at the coming Labor Party conference.

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5. Mendes-France prompts USSR on disarmament:

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Premier Mendes-France instructed Ambassador Joxe in Moscow on 10 September to tell the Soviet government he hoped that Soviet ambassador Vinogradov's 26 August statement on the possibilities of progress in disarmament talks would be translated into action in the UN subcommittee.

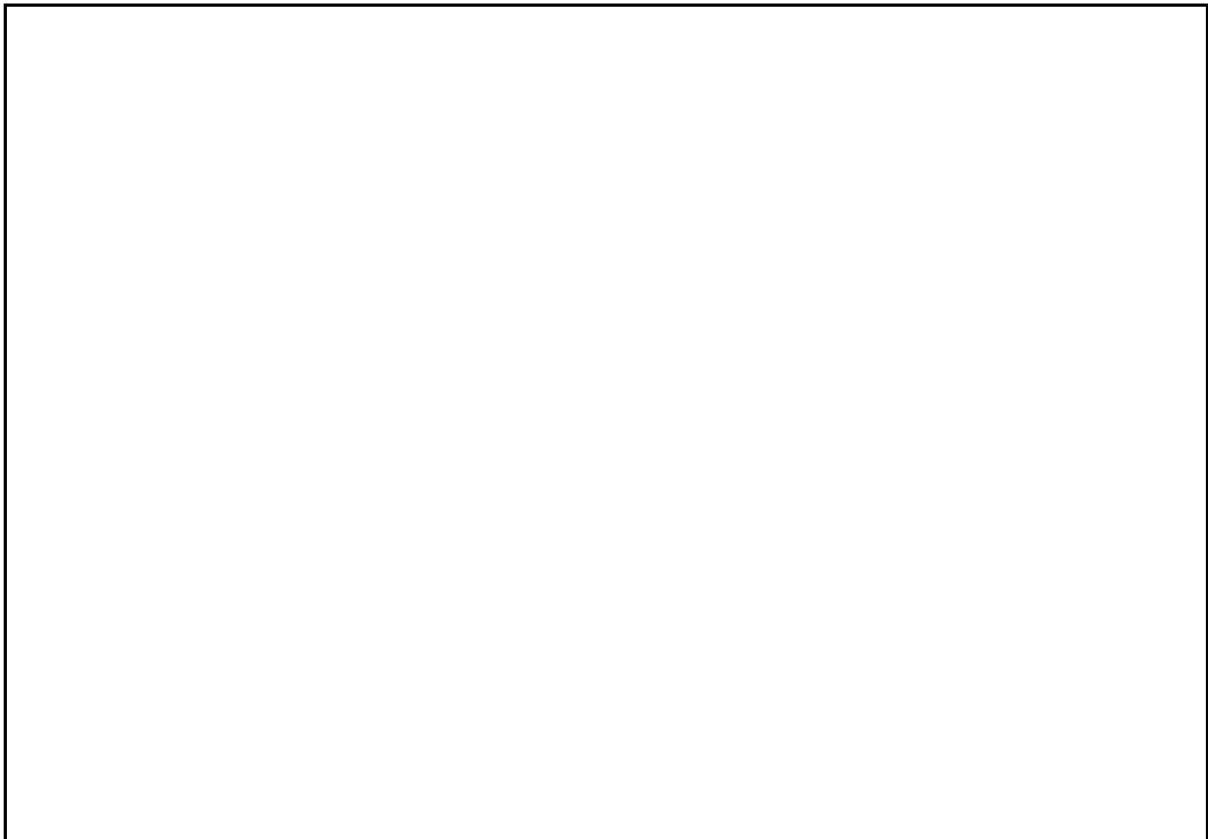
Ambassador Bohlen fears that such a move might be used by the USSR to influence French action on any alternative to EDC.

Comment: Mendes-France may be seeking to prompt the Soviet Union into a move that he could use to convince the United States and Britain that four-power talks would be fruitful. France may attempt to justify further postponement of German rearmament and a reduction of French military expenditures by apparent progress toward disarmament.

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Moscow may now seek some means to follow up Vinogradov's expression of interest in the proposals of Jules Moch, French delegate to the UN subcommittee on disarmament, in an attempt to strengthen Mendes-France's hand.

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LATE ITEM

7. Comment on insubordination of Vietnamese chief of staff:

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Vietnamese chief of staff Hinh's refusal to obey Premier Diem's order to "take leave" has created a national crisis in Vietnam.

Hinh, a French citizen and long identified with French policies, does not have an extensive personal following in the army but the refusal of the capable combat commander, General Nguyen Van Vy, to obey an order by Diem to assume the position of chief of staff suggests that the officer corps is not yet willing to back Diem.

High army officers probably feel that it would be foolhardy to declare in favor of Diem in the face of the well known French opposition to the premier.

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In any armed showdown, the French, with their control of the arms supply, hold the key to the situation. High French authorities in Saigon have recently spoken disparagingly of Hinh's leadership qualities but they may well regard the current crisis as a unique opportunity to dispose of Diem, as a first step toward setting up a government of their own choosing.

Hinh is the son of ex-premier Tam, who, together with Tran Van Huu and General Xuan, two other ex-premiers, has been frequently mentioned by the French as a candidate for the premiership.

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